

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
TAGS: ECON, EGEN
SUBJ: SUBSIDIES FOR PHARMACEUTICALS REDUCED

REF: 77 CAIRO 10386

1. IN JUNE 1977 MINISTER OF HEALTH BADRAN CAME UNDER HEAVY ATTACK FOR INCREASING PRICES OF PHARMACEUTICALS AND OTHER MEDICAL PREPARATIONS WHICH ARE HEAVILY SUBSIDIZED BY GOE. (AT THE TIME, PRIME MINISTER SALEH'S GOVERNMENT DECIDED NOT TO INCREASE SUBSIDIES IN ORDER TO COVER INCREASING COSTS OF IMPORTED RAW MATERIALS IN EFFORT TO REDUCE OVERALL SUBSIDY BILL. BADRAN TOOK SUBSTANTIAL AMOUNT OF CRITICISM FROM PEOPLES ASSEMBLY FOR HIS FAILURE TO MAINTAIN LOW PHARMACEUTICAL PRICES. WE LEARNED AT THE TIME THAT PHARMACEUTICAL PRICE INCREASES WERE BEING USED AS A TEST CASE FOR OTHER PLANNED PRICE INCREASES. WHILE THERE WAS CONSIDERABLE PUBLIC DEBATE OF THE MATTER, THE PRICE INCREASE STUCK AND THE COMPLAINTS SUBSIDED.

2. ON APRIL 5 A SMALL ITEM APPEARED ON FRONT PAGE OF AL AHAM INFORMING READERS THAT PM SALEH HAD RECENTLY APPROVED REMOVAL OF 45 MILLION POUNDS FROM SUBSIDY FUND FOR PHARMACEUTICALS AND TRANSFERRED THIS SUM TO SUB-

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SIDIES FOR FOOD AND HOUSING. ARTICLE WAS ACCOMPANIED APRIL 5 AND SUBSEQUENTLY APRIL 6 BY LENGTHY INTERVIEWS WITH MINISTER OF HEALTH BADRAN. NOTING THAT SUPREME COUNCIL OF UNION OF MEDICAL PRACTITIONERS HAD SEVERELY DENOUNCED WITHDRAWAL OF SUBSIDIES FROM PHARMACEUTICALS, BADRAN DEFENDED PRIME MINISTER'S ACTION AS NECESSARY TO MAINTAIN FOOD AND HOUSING PRICES FOR THE

POOR. BADRAN SAID THAT THERE HAS BEEN NO INCREASE IN INTERNATIONAL COSTS OF PHARMACEUTICALS AND THAT THERE IS NO REASON FOR PRICE INCREASES TO TAKE PLACE AS A RESULT OF WITHDRAWAL OF SUBSIDIES. HE CHALLENGED PRIVATE SECTOR IMPORTERS TO MOVE INTO PHARMACEUTICAL MARKET BUT CAUTIONED ALL RETAILERS TO KEEP PRICES AT REASONABLE LEVEL.

3. COMMENT: MINISTER BADRAN HAS OBVIOUSLY LEARNED HIS LESSON FROM JUNE INCIDENTS RELATED ABOVE. HE HAS PUT BURDEN OF ANY PHARMACEUTICAL PRICE INCREASES CLEARLY ON RETAILERS. FACT THAT SUCH SEEMINGLY INSIGNIFICANT BUDGET TRANSACTION BY GOE SHOULD DESERVE SUCH CAREFUL TREATMENT BY CABINET LEVEL MINISTER IS GOOD INDICATION OF CURRENT CONCERN WITHIN GOE OVER REACTION TO INCREASE IN PRICES. IT REMAINS TO BE SEEN, HOWEVER, IF BADRAN'S ADMONITIONS WILL BE EFFECTIVE IN HOLDING RETAILERS BACK FROM CHARGING HIGHER PRICES ON WIDELY CONSUMED PHARMACEUTICALS. EILTS

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